

**ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE**

April 7, 2021

1:29 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Roger Holland, Vice Chair
Senator Joshua Revak
Senator Elvi Gray-Jackson

MEMBERS ABSENT

Senator Gary Stevens

COMMITTEE CALENDAR

CONFIRMATION HEARING(S)

Board of Certified Direct Entry Midwives

Tanya Kirk - Anchorage

Hannah St. George - Fairbanks

- CONFIRMATIONS ADVANCED

Board of Veterinary Examiners

Rachel Bergartt - Juneau

- CONFIRMATION ADVANCED

Board of Pharmacy

Tammy Lindemuth - Anchorage

- CONFIRMATION ADVANCED

Occupational Safety & Health Review Board

Vincent Perez - Wasilla

- CONFIRMATION ADVANCED

SENATE BILL NO. 41

"An Act relating to health care insurers; relating to availability of payment information; relating to an incentive program for electing to receive health care services for less than the average price paid; relating to filing and reporting

requirements; relating to municipal regulation of disclosure of health care services and price information; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 6

"An Act relating to retirement incentives for members of the defined benefit retirement plan of the teachers' retirement system and the defined benefit retirement plan of the Public Employees' Retirement System of Alaska; and providing for an effective date."

- HEARD AND HELD

SENATE BILL NO. 26

"An Act repealing the certificate of need program for health care facilities; making conforming amendments; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

SENATE BILL NO. 93

"An Act repealing the certificate of need program for health care facilities; making conforming amendments; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

SENATE BILL NO. 38

"An Act repealing the certificate of need program for health care facilities; making conforming amendments; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

REVIOUS COMMITTEE ACTION

BILL: SB 41

SHORT TITLE: HEALTH INSURANCE INFO.; INCENTIVE PROGRAM

SPONSOR(S): SENATOR(S) HUGHES

01/25/21	(S)	PREFILE RELEASED 1/15/21
01/25/21	(S)	READ THE FIRST TIME - REFERRALS
01/25/21	(S)	L&C, FIN
04/07/21	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 6

SHORT TITLE: RIP FOR PUBLIC EMPLOYEES/TEACHERS

SPONSOR(s): SENATOR(s) KAWASAKI

01/22/21	(S)	PREFILE RELEASED 1/8/21
01/22/21	(S)	READ THE FIRST TIME - REFERRALS
01/22/21	(S)	EDC, L&C, FIN
03/15/21	(S)	EDC AT 9:00 AM BUTROVICH 205
03/15/21	(S)	Heard & HELD
03/15/21	(S)	MINUTE(EDC)
03/22/21	(S)	EDC AT 9:00 AM BUTROVICH 205
03/22/21	(S)	Moved CSSB 6(EDC) Out of Committee
03/22/21	(S)	MINUTE(EDC)
03/24/21	(S)	EDC RPT CS 1DP 2NR SAME TITLE
03/24/21	(S)	NR: HOLLAND, HUGHES
03/24/21	(S)	DP: BEGICH
03/24/21	(S)	EDC AT 9:00 AM BUTROVICH 205
03/24/21	(S)	<Bill Hearing Canceled>
04/07/21	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

TAMMY LINDEMUTH, Appointee

Board of Pharmacy

Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified for reappointment to the Board of Pharmacy.

TANYA KIRK, Appointee

Board of Certified Direct-Entry Midwives

Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified for reappointment to the Board of Certified Direct-Entry Midwives.

RACHEL BERNGARTT, PhD; Appointee

Board of Veterinary Examiners

Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Testified for reappointment to the Board of Veterinary Examiners.

HANNAH ST. GEORGE, Appointee

Board of Certified Direct-Entry Midwives

Department of Commerce, Community and Economic Development
Fairbanks, Alaska

POSITION STATEMENT: Testified for reappointment to the Board of Certified Direct-Entry Midwives.

VINCENT PEREZ, Appointee
Occupational Safety and Health Review Board
Department of Labor and Workforce Development (DOLWD)
Wasilla, Alaska

POSITION STATEMENT: Testified for reappointment to the Occupational Safety and Health Review Board.

SENATOR SHELLEY HUGHES
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 41.

LISA HART, Staff
Senator Shelley Hughes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint on SB 41.

LORI WING-HEIER, Director
Division of Insurance
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Provided information related to SB 41.

EMILY RICCI, Chief Healthcare Administrator
Division of Retirement and Benefits
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Testified that, should it pass, the division could absorb SB 41 into their standard health plan programming.

SENATOR SCOTT KAWASAKI
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 6.

DOUG WOOLIVER, Deputy Administrative Director
Alaska Court System
Anchorage, Alaska

POSITION STATEMENT: During the hearing on SB 6, described the Court System's 2016 retirement incentive program.

RICHARD SEWELL, representing self
Anchorage, Alaska

POSITION STATEMENT: Raised questions about SB 6.

JIM PUCKETT, Deputy Director
Division of Retirement and Benefits
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on SB 6.

EMILY RICCI, Chief Health Administrator
Division of Retirement and Benefits
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on SB 6.

ACTION NARRATIVE

[1:29:45 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:29 p.m. Present at call to order were Senators Gray-Jackson, Holland, Revak, and Chair Costello.

She reviewed the agenda.

CONFIRMATION HEARING(S)

Board of Certified Direct Entry Midwives

Board of Veterinary Examiners

Board of Pharmacy

Occupational Safety & Health Review Board

[1:30:54 PM](#)

CHAIR COSTELLO announced the consideration of Governor Appointees to Boards and Commissions. She reviewed the procedure.

She asked Tammy Lindemuth to introduce herself, provide a brief background, and tell the committee why she is interested in serving on the Board of Pharmacy.

[1:31:52 PM](#)

TAMMY LINDEMUTH, Appointee, Board of Pharmacy, Department of Commerce, Community and Economic Development, Anchorage, Alaska, stated that she is seeking reappointment to one of the public seats on the Board of Pharmacy to continue this important work.

She highlighted that she has enjoyed being an active voice on the Controlled Substance Advisory Committee and recently became chair.

CHAIR COSTELLO asked what feedback the board has received on the Prescription Drug Monitoring Program (PDMP).

MS. LINDEMUTH answered that the feedback from pharmacists has been positive. The PDMP is effective in helping the board monitor [controlled substance] prescriptions in the state and protecting both the community and pharmacists.

1:34:04 PM

CHAIR COSTELLO opened public testimony on the nomination of Tammy Lindemuth to the Board of Pharmacy; finding none, she closed public testimony.

CHAIR COSTELLO asked Tanya Kirk to introduce herself, provide a brief background, and tell the committee why she is interested serving on to the Board of Certified Direct-Entry Midwives.

1:34:39 PM

TANYA KIRK, Appointee, Board of Certified Direct-Entry Midwives, Department of Commerce, Community and Economic Development, Anchorage, Alaska, stated that she has lived in Alaska for 30 years and she received her RN degree and master's degree as a family nurse practitioner at the University of Alaska Anchorage. Later she received a post-masters certificate as a certified nurse midwife. She has been working at Providence Medical Center in Anchorage and recently became interested in serving on the Board of Certified Direct-Entry Midwives to help improve collaboration with all care providers.

CHAIR COSTELLO found no questions or comments.

1:36:47 PM

CHAIR COSTELLO opened public testimony on the nomination of Tanya Kirk to the Board of Certified Direct-Entry Midwives; finding none, she closed public testimony.

CHAIR COSTELLO asked Rachel Berngartt to introduce herself, provide a brief background, and tell the committee why she is interested in continuing to serve on the Board of Veterinary Examiners.

1:37:23 PM

RACHEL BERNGARTT, Phd; Appointee, Board of Veterinary Examiners, Department of Commerce, Community and Economic Development, Juneau, Alaska, stated that she has served on the board since 2016 and is seeking reappointment. She has lived and worked in Alaska in various locations since 2002. She said the need for veterinary access is paramount, from zoonotic disease risk management in COVID-19 to increased pet adoptions during the pandemic. She said her work with the board last year was focused on meeting the needs of the public for safe access to veterinary care by providing best practices and guidance to licensees and monitoring COVID-19 related emergency regulations and mandates. She reported her participation in legislative testimony and outreach on bills related to the practice of veterinary medicine and collaboration with other professionals and boards related to the COVID-19 and prescription drug topics. She represented the board at local and statewide veterinary meetings to provide updates to licensees. She said she would like to continue on the board to help keep the momentum on regulations review and making necessary updates.

MS. BERNGARTT advised that her resume did not reflect that in 2020 she received a degree of Juris Doctor magna cum laude from Seattle University School of Law.

CHAIR COSTELLO asked if she had heard the complaint that the Prescription Drug Management Program (PDMP) had burdened veterinary examiners because the animal owner's medical records link through the PDMP.

MS. BERNGARTT replied, the board has spent significant time over the last three years on issues related to PDMP and they support legislation to exempt veterinarians from participating in the program. It is a burden on the board and costly to licensees. Veterinarians would still be required to register and are monitored by the Drug Enforcement Association (DEA), veterinary suppliers, and pharmacies they prescribe out through. There would be no loss of data if veterinarians were exempted from the PDMP. Confidentiality of pet owner's prescription medication is also a big concern.

[1:44:31 PM](#)

CHAIR COSTELLO thanked her for the response. She opened public testimony on the nomination of Rachel Berngartt to the Board of Veterinary Examiners; finding none, she closed public testimony.

CHAIR COSTELLO asked Hannah St. George to introduce herself, provide a brief background, and tell the committee why she is

interested in serving on the Board of Certified Direct-Entry Midwives.

[1:45:07 PM](#)

HANNAH ST. GEORGE, Appointee Board of Certified Direct-Entry Midwives, Department of Commerce, Community and Economic Development, Fairbanks, Alaska, stated that she is the mother of 10 children and has attended more than 30 births as a support figure. She said she is working on her doula certification and she provides postpartum support to new mothers. She is seeking reappointment to the board and looks forward to learning more about the laws and regulations governing midwifery. This great team works to ensure safe births for mothers and babies, she said.

CHAIR COSTELLO asked if the number of mothers with postpartum depression increased during the COVID-19 pandemic.

MS. ST. GEORGE answered that COVID-19 had a profound effect on mothers before during and after birth. She related her own experience with postpartum depression during the pandemic. She was one of the new mothers who slipped through the crack and did not make it to the very important six-week checkup. She hopes to see some changes made.

CHAIR COSTELLO said it sounds as though you will be able to draw on your own difficult experience to help other Alaskans. "My heart goes out to moms who are bringing children into the world at this time."

[1:49:11 PM](#)

CHAIR COSTELLO opened public testimony on the nomination of Hannah St. George to the Board of Certified Direct-Entry Midwives; finding none, she closed public testimony.

CHAIR COSTELLO asked Vincent Perez to introduce himself, provide a brief background, and tell the committee why he is interested in serving on the Occupational Safety and Health Review Board.

[1:49:45 PM](#)

VINCENT PEREZ, Appointee, Occupational Safety and Health Review Board, Department of Labor and Workforce Development (DOLWD), Wasilla, Alaska, stated that he is the safety manager for Chugach Electric and was the safety manager for Municipal Light and Power for ten years before it was acquired by Chugach Electric. He has been in the safety field since he left the US Army in 1991. He is seeking reappointment to the Occupational

Safety and Health Review Board because it makes a difference in people's lives by keeping them safe on a daily basis.

CHAIR COSTELLO asked him to share what he learned at the US Army Chemical School and how he put it into practice.

MR. PEREZ replied the Army combines chemical and occupational safety. He started out working as a chemist in the field of environmental health and safety shifted to focus strictly on safety in the late 1990s.

SENATOR GRAY-JACKSON asked how merging Municipal Light and Power with Chugach Electric is going from a safety perspective.

MR. PEREZ answered that it was a challenge getting to this point, but things have been going well since the first of the year.

SENATOR GRAY-JACKSON asked if he is member of any organizations, councils, or steering committees that relate to the position on this board.

MR. PEREZ answered that he is an active member and participates in the local activities of the American Society of Safety Professionals (ASSP).

[1:54:32 PM](#)

CHAIR COSTELLO opened public testimony on the nomination of Vincent Perez to the Occupational Safety and Health Review Board; finding none, she closed public testimony.

CHAIR COSTELLO thanked him for being willing to serve the state on this important board.

[1:54:50 PM](#)

SENATOR HOLLAND stated that in accordance with AS 39.05.080, the Senate Labor and Commerce Standing Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration:

Board of Certified Direct-Entry Midwives

Tanya Kirk - Anchorage

Hannah St. George - Fairbanks

Board of Veterinary Examiners

Rachel Berngartt - Juneau

Board of Pharmacy
Tammy Lindemuth - Anchorage

Occupational Safety & Health Review Board
Vincent Perez - Wasilla

Signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees; the nominations are merely forwarded to the full legislature for confirmation or rejection.

CHAIR COSTELLO thanked the appointees.

SB 41-HEALTH INSURANCE INFO.; INCENTIVE PROGRAM

[1:55:44 PM](#)

CHAIR COSTELLO announced the consideration of SENATE BILL NO. 41 "An Act relating to health care insurers; relating to availability of payment information; relating to an incentive program for electing to receive health care services for less than the average price paid; relating to filing and reporting requirements; relating to municipal regulation of disclosure of health care services and price information; and providing for an effective date."

[1:56:13 PM](#)

SENATOR SHELLEY HUGHES, Alaska State Legislature, Juneau, Alaska, sponsor of SB 41, introduced the legislation speaking to the sponsor statement:

Alaska's health care costs are among the highest in the nation and continue to rise. Through free market principles, SB 41 will bend the cost curve down over time to help relieve the disproportionate burden of health care costs on family budgets, seniors on fixed incomes and employers providing insurance coverage to their employees.

Senate Bill 41 will provide Alaskans with the information they need to plan financially for their health care decisions. The bill requires health care provider and facilities to list meaningful cost information online and onsite. The bill also requires a health care provider and insurance company disclose full cost information within five days of request by a patient specific to their condition, including any expected out of pocket costs.

The bill also adds a mechanism so insurance companies will provide an incentive a shared savings check – to policyholders who choose an in-network provider who charges below the average in-network cost. Employers providing insurance coverage for employees will also be eligible for some of the shared savings. This approach will help bring down the high cost of healthcare in Alaska by encouraging consumers to shop and providers to compete for Alaska's healthcare dollars.

Several states have either passed or are currently working on healthcare cost transparency legislation. SB 41 is among the most innovative approaches as a result of the incentive provision and is expected to bend the cost curve more effectively than other efforts because of this.

The Alaska Health Care Consumer's Right to Shop Act will empower Alaskans with the tools needed to make healthcare choices that fit their needs and work for their budgets while introducing a bit of competition into the healthcare market in Alaska to help nudge down the costs over time.

SENATOR HUGHES explained that somebody who selects a provider who charges less than the average cost for that procedure will be able to share in the savings. For example, if the average cost of a procedure is \$14,000 and the insured selected the provider who charged \$12,000 for the procedure they would share in the \$2,000 savings with the employer and the insurer. The bill allows the insured to receive a minimum of one third of the savings. Somebody who does not have an employer would receive half of the savings. The idea is to provide an incentive for Alaskans to think about the providers they select. The price comparison tool will be an asset.

[2:03:27 PM](#)

SENATOR GRAY-JACKSON referred to the example and asked if the insured would pay \$12,000.

SENATOR HUGHES answered yes if the insured had met the deductible.

SENATOR HOLLAND expressed appreciation for the bill; it seems complicated but in essence is fairly simple.

SENATOR HUGHES expressed appreciation for Lori Wing-Heier's help with the bill. She said there is no silver bullet, but SB 41 will help loosen free market principles and offer help to nudge prices down in the healthcare industry.

[2:05:49 PM](#)

LISA HART, Staff, Senator Shelley Hughes, Alaska State Legislature, Juneau, Alaska, read the following text from the PowerPoint describing SB 41 into the record:

Alaska has the highest health care costs per capita in the entire United States.

The cost of healthcare is eroding the bottom line for business owners - small, medium and large. More money that employers put into healthcare means less money to create more jobs.

Observers have offered several explanations for Alaska's extra-high health care costs:

- Limited competition among providers, especially specialty physicians
- Particularly high compensation for providers, specialty physicians who perform procedures (such as orthopedic surgeons, cardiologists, and neurosurgeons)
- Hospital profit margins in urban Alaska that are higher than national averages
- Regulation by the State of Alaska, particularly the "80th percentile rule"
- Absence in Anchorage—the state's largest community—of public and/or teaching hospitals that are open to all patients

Right to Shop empowers patients by rewarding them when they seek out high-value care.

It is pro-patient as it lowers healthcare costs, improves patient care, contains out-of-pocket costs and increases patient access.

Prices vary widely in health care. For example, the same x-ray on the same kind of machine in different locations can vary in price from a couple hundred dollars to thousands. Surgery by the same doctor but

in different facilities can range from a few thousand dollars to tens of thousands.

2:08:01 PM

How does Right to Shop work?

1. A doctor recommends a medical service
2. Patients connect with their insurer by phone or go on-line to find their best options
3. Patients choose the best location at the best value
4. Patients have their procedure at the location of their choice
5. Patients, employers and insurance companies share in the savings

The Transparency in Coverage rule was released by the Trump administration in Oct 2020.

The rule requires most group health plans, and health insurance issuers in both the group and individual market to disclose price and cost-sharing information to participants, beneficiaries, and enrollees.

Right now the requirements are being finalized to give consumers real-time, personalized access to cost-sharing information, including an estimate of their cost-sharing liability, through an internet based self-service tool, essentially an online price comparison tool. These tools are being developed now with an expected launch date of January 2022.

Some states have initiated Right to Shop programs for state employee health plans while others have enacted legislation encouraging private insurers to develop shared savings incentive programs.

Florida, Maine, Nebraska, Tennessee, Utah and Virginia enacted legislation requiring or encouraging private health plans to initiate Right to Shop programs for enrollees.

SB 41 is among the most innovative approaches as a result of the incentive provision and is expected to more effectively bend the cost curve.

Right To Shop empowers patients with the knowledge they need to make smart choices about how and where they consume health care.

They're given tools to find the best value providers and, when they choose those options, they get a share of the savings.

SENATOR HOLLAND asked her to repeat which states have enacted similar legislation.

MS. HART listed Florida, Maine, Nebraska, Tennessee, Utah and Virginia and clarified they are in the private insurance group, not public employee.

SENATOR HOLLAND asked if any states have adopted the incentive provision.

MS. HARD replied Maine has enacted this legislation and New Hampshire did something similar for public employee health insurance programs.

CHAIR COSTELLO related her experience that it is almost impossible to determine the cost of a procedure until the billing stage. She asked if consumers in states that have similar legislation have actually been able to shop.

SENATOR HUGHES acknowledged that the final cost might differ from the quote because there could be complications. There would be an allowance for that. She understood that the states that have this legislation have a provision for that and Alaska would want that too. She acknowledged that this makes it difficult for insurers to develop the cost comparison tool.

SENATOR HUGHES said it is a little unique to offer the employer a share in the savings, but the belief is that it will motivate employers to encourage their employees to shop.

CHAIR COSTELLO invited Lori Wing-Heier to comment on the bill.

[2:14:13 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, advised that she and the sponsor have held many Microsoft Teams meetings to give insurers access to the sponsor and the division to address any concerns with the bill. To that end, Senator Hughes has said she will look at an effective date

so the tools the insurers need to do for the federal bill can be finished and in operation when SB 41 goes into effect. The federal tools are to be available January 1, 2022, but colleagues in Washington, DC have indicated there is a concern about being ready by that date. She described it as a chicken and egg situation because the federal government has to tell states what those tools should look like and that has not happened. She said to have the tools designed and working on all Blue Cross systems, Moda, Aetna, and UnitedHealthcare is a large undertaking, and it is not clear that the federal government will make the January 1 date.

CHAIR COSTELLO asked if SB 41 is dependent on the all-payer database (APCD) passing.

MS. WING-HEIER answered no; they would piggyback nicely but one could pass without the other.

CHAIR COSTELLO offered her understanding that depending on the insurance coverage, the price of a procedure differs from one consumer to the next. Based on that assumption, she asked if an average cost is calculated by geographic region or statewide.

MS. WING-HEIER answered it is both. When the division interacted with the Centers for Medicare and Medicaid on the federal bill, they submitted information by geographic region because the cost of a procedure differs based on where it is performed. She predicted that the APCD would implement a one-stop-shop for consumers to look at costs of procedures, whereas the federal bill would necessitate looking to each insurance company. She acknowledged that it would be cumbersome for families that have coverage from more than one insurance company.

CHAIR COSTELLO asked if this would increase costs for providers for administration or data entry.

MS. WING-HEIER answered no because the insurers will provide the database.

CHAIR COSTELLO asked Emily Ricci if the administration had a position on SB 41.

2:18:18 PM

EMILY RICCI, Chief Healthcare Administrator, Division of Retirement and Benefits, Department of Administration, Juneau, Alaska, summarized her understanding of SB 41 and said the division could absorb the provisions of SB 41 into their

standard health plan programming and strategic development, should the bill pass.

[2:19:21 PM](#)

CHAIR COSTELLO stated she would hold SB 41 for further consideration.

[2:19:33 PM](#)

At ease

SB 6-RIP FOR PUBLIC EMPLOYEES/TEACHERS

[2:20:32 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SENATE BILL NO. 6 "An Act relating to retirement incentives for members of the defined benefit retirement plan of the teachers' retirement system and the defined benefit retirement plan of the Public Employees' Retirement System of Alaska; and providing for an effective date."

[CSSB 6(EDC) was before the committee.]

[2:20:46 PM](#)

SENATOR SCOTT KAWASAKI, Alaska State Legislature, Juneau, Alaska, sponsor of SB 6, introduced the legislation paraphrasing the following sponsor statement:

Senate Bill 6 would implement a temporary, voluntary Retirement Incentive Program to increase state savings by allowing public employees to retire up to three years early. Long serving public employees are among the highest paid in the state. In many cases, pensions paid to retiring employees would cost the state less money than their current salaries. Providing high-salaried employees the option to retire early would save Alaska money through lower personnel costs.

SB 6 could also help prevent layoffs. The bill presents a method of cost-cutting and payroll reduction without forcing anyone out of the workforce before they are ready to retire. This gives the State of Alaska the opportunity to reduce operating costs by opening vacancies that enable the placement of more junior employees. Retirement incentive programs are regularly used in the private sector to efficiently

control personnel costs through market incentives rather than heavy-handed layoffs.

Retirement Incentive Programs have been used on a temporary basis three times in Alaska's history and was last proposed in 2004. In 1986, Senator Jim Duncan estimated savings at approximately \$25 million. A Legislative Audit of the 1989 Retirement Incentive Program demonstrated a savings of \$22.9 million with nearly 1,764 individual participants. In 1996, Rep. McGuire calculated the state gained \$41 million in savings through identical legislation.

Senate Bill 6 is an innovative policy option for state agencies, municipalities and school districts to consider as a means to reduce payroll costs without layoffs.

CHAIR COSTELLO moved to invited testimony.

2:24:46 PM

DOUG WOOLIVER, Deputy Administrative Director, Alaska Court system, Anchorage, Alaska, stated that the Court System does not have a position on SB 6, but the sponsor asked him to testify about the retirement incentive program (RIP) the court implemented in 2016. The idea was to reduce the workforce without having to lay off any employees. The court offered an incentive of three month's salary to anybody who had been eligible to retire for at least three years and employees of the Court System for at least 10 years. Of the 28 employees who were eligible, 18 took advantage of the RIP, which has resulted in an annual savings of \$680,000. The upfront cost of three month's salary was about \$400,000. He acknowledged that this was a small number compared to PERS and TRS, but it accounted for much of the savings the court was looking for in FY16 and FY17

MR. WOOLIVER said the Court System RIP was a little different than SB 6. The court did not have the ability to change who was eligible to retire but they did have the authority to provide an incentive to those already eligible to retire. It was a good program for the court at the time; it made a lot of sense, he said.

CHAIR COSTELLO asked if the court found it difficult to replace the older, seasoned employees and provide training to the replacements.

MR. WOOLIVER replied, the court did lose expertise and experience but within a few years, everybody had the experience so that was not problem with the court's RIP.

2:29:39 PM

CHAIR COSTELLO noted that the state was recovering from COVID-19 and asked the sponsor if he had contemplated offering the RIP to people with preexisting health conditions. She asked if the legislation intended to address the budget situation or the COVID-19 situation.

SENATOR KAWASAKI replied he introduced the legislation in a previous legislature with the intention of avoiding layoffs, but he would acknowledge that COVID-19 has fast-tracked a new group of people into the retirement community. He recounted the requirements to qualify for this RIP and pointed out the employers have the ability to limit the program to prevent a brain drain. He said the applicable conditions would be in regulation.

CHAIR COSTELLO asked if this applies to both Public Employee Retirement System (PERS) and Teacher Retirement System (TRS) employees.

SENATOR KAWASAKI answered yes.

CHAIR COSTELLO asked for the number of PERS and TRS employees.

SENATOR KAWASAKI offered to run a report to find the information but about 2,000 employees qualified in each of the 1986, 1989, and 1996 RIPs.

2:32:40 PM

SENATOR GRAY-JACKSON stated support for the bill and asked for the age limitations.

SENATOR KAWASAKI answered that participants must have at least 17 years of state service and be at least 50 years of age.

CHAIR COSTELLO asked him to clarify whether that was for the bill or normal retirement. She noted that Mr. Puckett was available to answer questions.

SENATOR GRAY-JACKSON advised that a firefighter reached out when the bill was introduced in the last legislature to ask if he might qualify. She suggested that she follow up with the sponsor offline to discuss the situation.

2:34:09 PM

SENATOR HOLLAND asked if the big savings come from the difference between the old and new salary and that the retiree is paid through PERS or TRS and not the department.

SENATOR KAWASAKI replied that is correct.

2:35:37 PM

CHAIR COSTELLO opened public testimony on SB 6.

2:35:52 PM

RICHARD SEWELL, representing self, Anchorage, Alaska, stated that as a Tier I PERS employee of a certain age, he has a personal interest in SB 6, particularly the last sentence in Section 1 that seems to require the elimination of certain position control numbers (PCN) if the employee opts for the RIP.

He said that language is troubling because members who are eligible for a RIP typically are senior employees who would be the last to be laid off because the union layoff rules are based on seniority. Furthermore, these senior employees typically are in key positions that commissioners need to run the department so they would be unlikely approve those RIPS. He suggested the solution could be to allow the department to have a net loss of one position for every employee that took a RIP as opposed to losing the particular position. He said he had other comments on the bill, but the foregoing was the most important.

CHAIR COSTELLO said Section 1 is uncodified law but even if it were law, her reading is that this is an option for employers, not a requirement. She asked the sponsor if he agrees with her reading and Mr. Sewell's comment about losing the PCNs.

2:39:55 PM

SENATOR KAWASAKI agreed that the Purposes and Intent in Section 1 is uncodified law so there is no requirement. The position could be held, vacant, or eliminated.

CHAIR COSTELLO asked if he agrees that the entire bill is uncodified law.

SENATOR KAWASAKI answered no; just Section 1 is uncodified. The bill itself is in Sections 2-10.

CHAIR COSTELLO said she would follow up and talk about that offline.

2:41:05 PM

CHAIR COSTELLO closed public testimony on SB 6. She thanked Mr. Sewell for his testimony. She welcomed him to submit his comments in writing.

2:41:36 PM

MR. SEWELL said he had one more comment relating to Section 2, page 3, lines 28-31 to page 4, lines 1-2. Paragraph (f)(3)(B) talks about 20 years [of credited service] as an employee and he wondered if that was total time accrued in various jurisdictions. He said he started as a PERS employee with the Municipality of Anchorage and now works for Department of Transportation and Public Facilities (DOTPF) but he does not 20 years of service. He asked how his employment is counted.

2:42:20 PM

CHAIR COSTELLO said she reads the bill to mean 20 years total with the state and it could be in one or more jurisdictions. She asked Senator Kawasaki if he agreed.

SENATOR KAWASAKI answered yes; the employment could be with the state and a municipality.

CHAIR COSTELLO asked if PERS and TRS employment could be combined to reach 20 years.

SENATOR KAWASAKI suggested that Mr. Puckett might be able to answer the question.

CHAIR COSTELLO asked Mr. Puckett to respond to the questions.

2:43:25 PM

JIM PUCKETT, Deputy Director, Division of Retirement and Benefits, Department of Administration, Juneau, Alaska, answered that a combination of PERS and TRS can be used in some cases. He offered to provide more information in writing.

CHAIR COSTELLO asked him to send the information to her office and she would distribute it to the members.

SENATOR GRAY-JACKSON pointed out that the savings when there is a RIP is not only the salaries but also the benefits, leave accruals, and PERS contributions.

CHAIR COSTELLO asked Ms. Ricci if she wanted to respond to Senator Gray-Jackson's comment about savings in addition to salaries.

[2:45:55 PM](#)

EMILY RICCI, Chief Health Administrator, Division of Retirement and Benefits, Department of Administration, Juneau, Alaska, said the division will have a better idea of the savings once the bill reaches the Finance Committee and the division analyzes it with help from their actuaries.

CHAIR COSTELLO noted that the Finance Committee was the next committee of referral.

CHAIR COSTELLO asked the sponsor's staff to visit the members in their offices to answer any questions and address concerns before the next meeting. The sectional analysis could wait until then.

CHAIR COSTELLO held SB 6 in committee.

[2:47:08 PM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:47 p.m.